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**ORIGINAL**

Decision No. \_\_\_\_\_

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application  
of NARBONNE RANCH WATER CO. NO. 2  
for an order authorizing increased  
rates for water service.

Application No. 33913  
(Amended)

A. E. Cook and Robert E. Moore, Jr., for applicant.

D. B. Steger and A. L. Gielegem, for the Com-  
mission staff.

INTERIM OPINION

Public hearings were held in this matter at Lomita, California, before Examiner Grant E. Syphers on December 16, 1958, January 26, 1959, and March 2, 1959. On these dates evidence was adduced and on the last-named date the matter was submitted.

These proceedings arise from a prior decision of this Commission, No. 49410, dated December 8, 1953, in Application No. 33913. In that decision this Commission, among other things authorized the Narbonne Ranch Water Co. No. 2 to increase rates for water service, and, further, required that company to make certain improvements in its system for the purpose of increasing water pressure and providing adequate service to all of its consumers.

Under date of September 10, 1958, this Commission issued an order reopening this matter for further hearing, "it appearing further that the applicant may not have made the improvements contemplated" by Decision No. 49410.

The further testimony taken discloses that many of the consumers are dissatisfied with the quality of the water and also

complain as to low pressure or complete lack of water at times. On occasions the water has a strong odor and is colored with a brown substance. The public witness testimony indicates that the condition of the water and the low pressure have become progressively worse in the past few years.

The evidence further discloses that this company, as of December 31, 1957, served approximately 1,073 consumers each of whom had metered services. The service area of the company is bounded by the City of Torrance Municipal Water District on the west, the Narbonne Ranch Mutual Water Co. No. 3 on the north, the Los Angeles County Water Works District No. 13 on the south, the City of Torrance and the Los Angeles County Water Works District No. 13 on the east. The area served by the company here under consideration has approximately 65 vacant lots scattered throughout, and in addition there are approximately 11½ acres which may be subdivided. The water system was installed in 1907 and at the present time receives about 50 percent of its water from a well and the other 50 percent from the Metropolitan Water District.

The testimony was undisputed to the effect that certain of the existing mains are worn out and need replacing. Exhibit No. 3 received in evidence contains a map which shows these mains. They comprise the major portion of the mains in the system. In the opinion of the manager of the company it would cost approximately \$250,000 to make these replacements. No other testimony was presented by any other person concerning this point.

The evidence further shows that for the past six years the company has extended into new areas, and has made additions to

its utility plant in the amount of \$144,675.22. It is also disclosed that this company has received a net profit of more than \$6,000 for each of the last four years.

The books of the company show that there are 354 shares of stock outstanding, each having a par value of \$10 or a total value of \$3,540. It cannot be determined from these books who the stockholders are, and it was the opinion of counsel for the company that to conduct a complete investigation to determine stock ownership would require an expense of more than \$10,000.

We are faced in this matter with the problem of a company which requires a substantial replacement of its water mains. The company does not have the money to effect such a replacement, and its net income of slightly more than \$6,000 per year does not warrant the borrowing of these funds. As a matter of fact, it was the position of the company that it would not, or could not, borrow sufficient money to effect these improvements without receiving additional revenue.

The record is clear that the company has made no substantial progress in improving its system since 1953. A large portion of its retained earnings have been used to extend service and the company has never obtained funds through the issuance of funded or long-term debt as a means of improving service. The utility is under a continuing obligation to improve service and must use every means at its disposal to do so. It is apparent from the utility's experience in repairing leaking mains that certain sections could be more economically replaced and appropriate steps must be taken to this end.

At the hearing on March 2, 1959, it was called to the attention of the Commission that there are pending negotiations which may result in a sale of this system to the City of Torrance, and the company requested that Commission action be deferred in this matter

pending the result of such negotiations. In the light of this record we now find that it would be in the public interest to prohibit this company from serving any new customers until corrective action is taken regarding the installation of new mains. This order will be interim in nature, and the Commission may make further orders as developments so warrant.

INTERIM ORDER

The Commission having issued Decision No. 49410, dated December 8, 1953, and on September 10, 1958, having reopened this matter for further hearing, further hearings having been held, and the Commission having found it to be in the public interest, and good cause appearing,

IT IS ORDERED that Narbonne Ranch Water Co. No. 2 be, and it hereby is, prohibited from serving water to any new customers without securing the prior approval of this Commission.

IT IS HEREBY FURTHER ORDERED that Narbonne Ranch Water Co. No. 2 shall report to this Commission in writing, by May 1, 1959 and every sixty days thereafter for a period of one year, the status of its negotiations in the sale of its system to the City of Torrance.

The effective date of this order shall be twenty days after the date hereof.

Dated at San Francisco, California, this 14th day of April, 1959.

S. Lynn Fox  
President  
John L. Dittell  
William J. ...  
Theodore ...  
Everett ...  
Commissioners